# ECONOMETRIC ANALYSIS ON VOTE-POPULARITY FUNCTION FOR ROMANIA

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#### Abstract

The regional analysis in Romania confirms the hypothesis of a significant correlation between the status of the economy and political behaviour of the electors. The level and the dynamic of the unemployment at regional level have an influence on vote behaviour, as stated by the partisan political business cycle theory: in the areas with a higher unemployment rate there is a voting preference (tendency) towards the political left wing. This conclusion is interesting for a political perspective. If the unemployment electors carry their votes toward left, the left wing government in office between 1992-1996 and 2000-2004 promotes an economic policy that outcomes in a diminishing the electoral support for this party: during these periods, the global unemployment rate decreased from 8.2% to 6.6% in first period (1992-1996) and from 12.3% to 6.3% in the second. Moreover, the partisan electoral behaviour hypothesis affirms that the private entrepreneurs and the self-employed vote toward right-wing parties. That means that electoral support for left party in office during the mentioned periods was also reduced by another result of the reform, namely the strong increase in the number of registered companies (large numbers of them are limited liability companies). A political analogous situation was recorded during the 1996-2000 legislatures. The global unemployment rate increased and the business environment became unfavourable, leading to a decrease of the electoral support for the right-wing governmental coalition in office.

In Romania, regarding the elections from 2008-2009, a new electoral law was introduced. The main changes concerned the election of chairpersons of county councils by uninominal voting, separating general and presidential elections and the introduction uninominal voting system for parliamentary elections, with a correction of the total number of seats with the total number of votes obtained by each party on national level.

Keywords: Political Business Cycles, Vote Popularity Function, Partisan Behaviour, Regional Unemployment

### Introduction

In Romania, the democratic experience computes a small number of electoral moments. Therefore, it is not possible yet to build an electoral behaviour econometric model using the political time series. In these circumstances, in the following section, by the examination of the political and economic dynamics during the 1990-2008, we try only to identify some significant signals concerning the economic impact of the electoral timing. We use an econometric model to analysis the political behaviour using a regional economic and political data. The analysis is divided in two different approaches: the elections before 2008 and the elections from 2008 (when a new electoral law was introduced – mainly the impact of uninominal voting and the change in electoral preferences of the voters from local elections to parliamentary elections).

The importance of such a study is underlined also by rich international literature focused on the impact of the political behaviour on economic conditions. It is important to analyse if political factors do influence the economy not for the common wealth, but for increasing their chances of reelection.

The answer to this subject is reflected by the results presented in this study. The economic and econometric evidences are presented to support the results. There is a large specialized international

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literature on political business cycles and we tested some methods and models to find out if the results for Romania are in accordance with the results obtained for other western democracies.

### Political – Economic Regional Model for Romania<sup>1</sup>

From Romania, the democratic experience recorded a small number of electoral events. Therefore, it is not possible yet to build an electoral behaviour econometric model able to analyse the effects of population and incumbents' electoral behaviour based on the dynamics of macroeconomic and political time series. For this reason different hypotheses regarding the relationship between economic and political system were tested using the data recorded at regional level, for the electoral years 1992, 1996, 2000, 2004 and 2008.

First of all we was tested the so-called *responsive hypothesis* according to which the *electorate considers that the government is responsible for the state of the economy* and consequently, when the unemployment (and the inflation) record high values, the electoral chances of the governmental party (coalition) diminishes, and vice versa: a relatively well economic status leads to the increase of electoral chances of the party in office. From statistical point of view, the hypothesis mentioned above assumes that:

1. There is a negative correlation between the unemployment rate and the votes given to the ruling party, and

2. There is a positive correlation between the unemployment rate and the votes given to those parties (coalition) from opposition, which are considered to be an alternative at government in the electoral year.

However, the distribution of regional votes for the incumbents (parties or coalitions) in the electoral years 1992, 1996, 2000 and 2004 don't confirm hypothesis of a significant negative correlation between the unemployment rate and the electoral support. Analogously, a significant positive correlation between regional unemployment rate and electoral support of the parties situated in opposition (the challenger) cannot be observed (see Table 1). The only correct signs (in accordance with the above hypothesis) from the coefficients of correlation were recorded in 2000; as we'll show further, the values taken by the coefficient of correlation can be explained by taking into consideration of a *partisan political business cycle model*.

But these figures don't show trends according to the responsive hypothesis.

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<sup>&</sup>lt;sup>1</sup> In this section we use the following symbols for the Romanian political parties, political formations or their coalitions: APR - Alliance for Romania CDR - Democratic Convention from Romania D.A. - Justice and Truth Alliance (National Liberal Party and Democratic Party) FDSN - National Salvation Democratic Front FSN - National Salvation Front PD - Democratic Party PD-L - Democratic-Liberal Party - Agrarian Democratic Party of Romania PDAR PDSR - Social Democracy Party of Romania - National Liberal Party PNL PNTCD - National Peasant Christian Democratic Party - Great Romania Party PRM PSDR - Social Democratic Party of Romania PSD - Social Democratic Party - Labour Socialist Party PSM PUNR - Romanian National Unity Party - Humanist Party of Romania (which subsequently became the Conservative Party) PUR UDMR - Democratic Union of Hungarians in Romania USD - Democratic Social Union

is (70) carried for the Romanian pointear parties, pointear formations of their coantions						
Floatoral	Political parties, political formations or	Political parties, political				
Electoral	their coalitions witch form the	formations or their coalitions				
years	Government	situated in opposition				
1992	0.31 (FDSN+FSN)	-0.26 (CDR)				
1996	0.33 (PDSR)	-0.17 (CDR+USD)				
2000	-0.32 (PNL+PD+UDMR)	0.34 (PDSR+PRM)				
2004	0.28 (PSD)	-0.14 (D.A.)				

Table 1: The coefficients of correlation between the regional unemployment rates and the votes (%) carried for the Romanian political parties, political formations or their coalitions

Further on, we tested for Romanian case a hypothesis formulated by Rodrik (1995) and Fidrmuc (1996) for Central and Eastern European transition countries, hypothesis regarding the political support for the economic reform.

Rodrik (1995) formulated the hypothesis that the unemployed electors cast their vote in favour of a party that realises a fast reform because they think that the rapid economic reform has as results an outcome increase and an enhance of the economic private sector. The consequence of these evolutions consists in the increasing chances for the unemployed to find a job in private sector. According to Rodrik, in the Central and East European Countries only the right-wing parties are proreform political formation, while left-wing parties are anti – reform. As a result, the unemployed vote for the right-wing political parties. A version of this hypothesis is given in a paper written by Fidrmuc (1996). According to Fidrmuc, the type of behaviour described by Rodrik is specific for the unemployed only in the first part of the transition, when it is expected a fast and successful reform. As far as the reform processes are developing without major results regarding the employment and the economic status of disadvantaged social categories, the unemployed become supporters of those political parties, which promote a reduction of the reform speed and maintain a high proportion of the public sector. The same as in Rodrik's model, also in Fidrmuc's model, the left-wing parties represent anti-reform political forces and for this reason, after the first transition years the political support of the disadvantaged categories (like unemployed) is straighten towards the left-wing parties.

This caricatured political system model set up for the candidate countries, with strong partisan and ideological influences (supporting the idea that the right-wing parties are pro-reform while the left-wing parties are against, that means that the last ones are anti-European), was invalidated by the political evolutions from these countries. All the candidate countries had both right and left political systems, without recording significant steps forward or backward of the reform process. There are significant differences between countries regarding the reform stage but there are not differences within the same country under different political systems. In spite of these, we have tested the Rodrik model, the same as the Fidrmuc's version of Rodrik model. The tested hypotheses are:

1. There is a positive correlation between unemployment rate and votes carried to the rightwing parties and a negative correlation between the unemployment rate and votes carried to the leftwing parties (Rodrik's hypothesis)

and

2. There is a positive correlation between the unemployment rate and votes carried to the rights-wing parties and a negative correlation between the unemployment and votes carried to the left-wing parties at the beginning of transition process, while in later reform phases the support of the disadvantaged categories is straightened towards the left (Fidrmuc's hypothesis)

The vote's distribution for the rights and left-wing parties (or coalitions) is shown in Table 2. In the Romanian case, because the fluent political environment, it is not easy to include a party in a political wing. In these circumstances, the parties are included in the right or left wing in keeping with theirs official positions.

The Rodrik's hypothesis cannot be empirically upheld, at least starting from electoral regional data. From Table 2 must be notice that always the correlation between votes from the leftwing parties and the unemployment rate is positive, while the correlation between the unemployment rate and the electoral support for right-wing parties is negative (contrary with Rodrik's hypothesis).

Table 2: The coefficients of correlation between the regional unemployment rates and the electoral behaviour

The coefficients of correlation between the regional				
unemployment rates and votes carried for:				
Electoral years	Left-wing parties	Right-wing parties		
1992	0.24 (FDSN+FSN+PSM)	-0.26 (CDR)		
1996	0.32 (PDSR+USD)	-0.26 (CDR)		
2000	0.30 (PDSR+PD)	-0.23 (PNL)		
2004	0.43 (PSD+PRM)	-0.23 (D.A.+PNTCD)		

The obtained results can't be a valuable argument for the Fidrmuc's version model too. The political support for the right wing is maintained relatively constant and it is negatively correlated with unemployment rate, while the political support for left increases, at least for median interval. The last result comes out from defining left-wing side. The correlation coefficient between rate employment and political support of Democratic Party (PD) is insignificant one as results from Table 3. The insertion of this party in the left political side (in 1992 through FSN - National Salvation Front and in 1996 through USD - Democratic Social Union) has an influence on global correlation coefficient. This aspect is just more evident in the case of PSM - Labour Socialist Party, which was included in the left political side in 1992; its political support was negatively correlated with unemployment rate.

Table 3: The coefficients of correlation between the regional unemployment rates and the votes for Romanian political parties T1. . . .

The coefficients of correlation between the regional unemployment rates votes carried for:							
Electoral years	PDSR <sup>*</sup>	PD <sup>**</sup>	PSM	CDR***	PUNR	PRM	UDMR
1992	0.33	0.07	-0.20	-0.26	-0.06	-0.14	-0.10
1996	0.33	0.08	-	-0.26	0.02	0.28	-0.13
2000	0.30	-0.03	-	-0.23	-	0.24	-0.26
2004	0.36	-	-	-0.33	-	0.30	-0.47

For the 1992 elections – FDSN,

For the 1992 elections – FSN, for the 1996 elections – USD

\*\*\* For the 2000 elections – PNL, for the 2004 elections – PNTCD

The relative steadfastness of the correlation coefficients recorded by the two important political parties PDSR - Social Democracy Party of Romania and CDR - Democratic Convention from Romania cannot be an argument in the favour of the Fidrmuc's hypothesis<sup>2</sup>.

Further, we tested the hypothesis of the partisan political behaviour. According to this approach, left-wing parties are relatively more concerned on unemployment and economic growth, and relatively less interested in inflation, while right-wing parties are more concerned on inflation and less on economic growth and unemployment. The electors' votes are straightened towards that

<sup>&</sup>lt;sup>2</sup> Even Fidrmuc gave up to this hypothesis and in his later studies he adopted a partisan hypothesis (see, Fridmuc, 2000).

party promoting a program which seen as being closer to their own expectations. As a consequence, the unemployed votes towards left wing parties.

To assess the hypothesis regarding the partisan political support we was firstly tested two following simple econometric models:

 $LEFT_{i,t} = a_0 + a_{i,1} + a_2 RSOM_{i,t} + e_{i,t}$ (1)

 $RIGHT_{i,t} = b_0 + b_{i,1} + b_2 RSOM_{i,t} + v_{i,t}$ (2)

Expected results:  $a_2 > 0$ , and  $b_2 < 0$ .

The symbols used in the models have the following meaning:

-LEFT<sub>i,t</sub> and RIGHT<sub>i,t</sub> is the share of votes received by the respective parties in county i (i = 1...40) at the elections in the electoral year t (t = 1992, 1996, 2000, 2004),

 $-RSOM_{it}$  represents the unemployment rate recorded in county i in the electoral year t;

 $-a_{i,1}$ ,  $b_{i,1}$ , are the cross-section specific coefficients and  $a_0$ ,  $a_2$ ,  $b_0$ ,  $b_2$  are the common coefficients in pool estimation for the models (1) and (2), and

 $-e_{it}$  and  $v_{it}$  are the error terms – random variables that respect the conditions for using the Ordinary Least Squares Method (normally and independently distributed with zero mean and constant variance).

The Romanian regional structure enclose 41 + 1 (Bucharest) = 42 counties. We used only 40 observations / year and excluded Covasna and Harghita because a large share from Covasna and Harghita counties electors are politically faithful, based on nationalist views. The estimation's results for 160 records (40 counties × 4 electoral events) are shown in Table 4.

	LEFT	RIGHT
Constant	25.01	49.68
Constant	(2.15)	(2.33)
RSOM	0.909	-2.265
KSOM	(0.25)	(0.27)
Adjusted R-squared	0.64	0.44
F-statistic	8.24	4.13
Akaike info criterion	7.151	7.305
Schwarz criterion	7.939	8.093

Table 4: Partisan political business cycles estimation in regional data

(standard deviations are given in brackets, with *italic* fonts).

The estimators are statistically significant, with a level of significance over 99%. The probability of rejection the models (Prob (F – statistic) is smaller than 0.0001%. The estimators of the models' coefficients have correct signs (the signs anticipated for the partian business cycle theory):

 $a_2 = 0.909$  is positive (according to the theory) and significantly different from zero with a probability over 99.99%

 $b_2 = -2.265$  is negative (according to the theory) and significantly different from zero with a probability over 99,99%

Because a share from Covasna and Harghita counties electors are politically faithful, based on nationalist views, these counties was excluded in estimation process (the proportion of the UDMR' *captive* voters affects negatively the formation up of the other parties electors).

The most important problem of these simple models is that they are able to explain only about 44% - 64% of vote behaviour setting up ( $\mathbb{R}^2$ ). For this reason we built up, in the same spirit of the partisan political business cycle theory, other econometric models, starting from the hypothesis that there are faithful electors for every party being on political market and struggle for that.

That means that, without any major political, social or economic events, the political behaviour and options of some electors remain unchanged, while economic factors explain only the

(4)

forming behaviour of the electors without long – lasting options. More exactly, there is certain inertia in the dynamic of political options, so that electors' behaviour at the moment t is not absolutely independent from the options expressed in the previous elections. Starting from the fact that the formation of the electors' options at the moment t - 1 is depending on the unemployment rate and these options have a some degree of inertia, the conclusion is that the options of non-captive electorate (those electors which don't prefer almost permanently one party or an other), are formed basing on the changes in the unemployment rates between the actual electoral period (t) and the previous one (t - 1).

The literature analysis also the phenomenon of the political image eroded during the government stay in office (Nannestad and Paldam, 1994, 1997 and 1999). This effect is referred to as the *cost of ruling*, implying the incumbent governments lose support as they alienate some supporters with decisions they make while in office. The longer they stay in office and the higher their vote shares in the preceding elections the more likely it is that such losses will occur.

We have tested, in these conditions, two econometric as following:

 $LEFT_{it} = a_1 LEFT_{i,t-1} + a_2 (RSOM_{it} - RSOM_{i,t-1}) + a_3 RUL LEFT + e_t$ (3)

 $RIGHT_{it} = b_1 RIGHT_{i,t-1} + b_2 (RSOM_{it} - RSOM_{i,t-1}) + b_3 RUL_RIGHT + v_t$ The expected results according to the theory are:

 $a_1 > 0$ ,  $b_1 > 0$ , Means that every party has a faithful electors;

 $a_2 > 0, b_2 < 0$ , Means that the increase of the unemployment favours left-wing parties and disadvantage right-wing parties.

 $a_3 < 0, b_3 < 0$ , Means that it exists a *cost of ruling*.

The symbols used have the following significances:

-LEFT<sub>it</sub> and RIGHT<sub>it</sub> represents the share of votes gained by the parties in county i (i = 1...41) at the elections from moment t (t = 1992, 1996, 2000),

 $-LEFT_{i, t-1}$  and RIGHT<sub>i, t-1</sub> are the votes (%) gained by parties in the county *i* at the previous elections (*t-1*),

-RSOM<sub>it</sub> and RSOM<sub>i, t-1</sub> are the unemployment rates registered in county *i*, in the electoral moment *t*, and at the preceding elections (*t*-1),

-RUL\_LEFT is the dummy variable that capture the *cost of ruling* for left-wing parties, which takes the value 1 for 1992, 1996 and 2004, and 0 for 2000;

-RUL\_RIGHT is the dummy variable that capture the *cost of ruling* for right-wing parties, which takes the value 1 for 2000, and 0 for 1992, 1996, 2004;

 $-a_1, a_3, a_3, b_1, b_2, b_3$  are the coefficients of the models (3), respectively (4), and

 $-e_{it}$  and  $v_{it}$  are the error terms – random variables that respect the conditions for using the Ordinary Least Squares Method (normally and independently distributed with zero mean and constant variance).

In the models (3) and (4) were not used variables for counties Covasna and Harghita because the stable fidelity of electors from those regions. The results of the estimation are shown in the Table 5.

The estimators for regression equations parameters are significant different from zero with a level of significance over 99%. The models' probability of rejecting (Prob (F-statistic) is smaller than 0.00001%. The estimators of the models' coefficients have correct signs (the signs anticipated for the partisan business cycle theory) and the models (4) and (5) are better from econometric point of view than the models (2), respectively (3). The last conclusion derives both from comparison between the coefficients of determination  $R^2$ , and from the analysis of values calculated for F-criteria.

Table 5. Latisan political busiless cycles autoregressive model estimation				
Left wing party	Right wing party			
1.169	1.225			
(0.031)	(0.030)			
1.337	-1.382			
(0.230)	(0.175)			
-4.413	-27.478			
(1.364)	(2.049)			
0.91	0.84			
590.2	311.496			
	Left wing party 1.169 (0.031) 1.337 (0.230) -4.413 (1.364) 0.91 590.2			

Table 5: Partison political business evalue autoregressive model estimation

(In brackets, with *italic* there are the standard deviations).

The obtained results lead to the following conclusions:

- The level and the dynamic of the unemployment rates at regional level have an influence on vote behaviour, and this effect is in accordance with the partisan political business cycle theory: in the areas with a higher unemployment rate a voting preference (tendency) towards the political left is manifest:

-Elasticity of the electoral behaviour in dependence of economic factors (unemployment rate) is rough equal (with different signs of course), in the case of the two parties<sup>3</sup>. This means that in the Romanian political environment the two parties have been perceived by the population as being typical for the left and respectively for the political right.

-Everyone from the two parties has faithful electors  $(a_1 \text{ and } b_1 \text{ are positive and are})$ significantly different from zero). The right' electors fidelity is a little bit superior comparable to the left' electors fidelity  $(b_1 > a_1)$ ; but in spite of the fact that the Romanian's political right wing has more faithful electors, this captive electorate has a small size (relative to the whole Romanian electorate).

- The cost of ruling, implying the incumbent governments lose support while there are in office, was much stronger in the right than in the left parties' case.

### Parliamentary elections from 2008

We have analysed here the electoral behaviour from a different approach. We have studied the impact inducted by the state and dynamics of some economic variables on the change of voting intensions from the local elections from June 2008 to parliamentary elections, same year.

The results from the electoral elections from June 2008 did not obtained econometrically significant results. The vote was mainly driven by local leaders and important regional personalities.

The data are analysed in regional structures. We used a Paldam type model. In its most simple linear version the function are:

 $\Delta P_{t} = \{a_{1}\Delta u_{t} + a_{2}\Delta p_{t} + ...\} + [c_{1}D_{t}^{1} + c_{2}D_{t}^{2} + ...] + e_{t}$ (5)

Here  $\Delta$  is used to indicate the first difference, P is either the vote or the popularity, for the political parties (%). The as and cs are coefficients to be estimated, and the e is the disturbance term. The braces contain the economic variables: the e-part of the model. Two of the variables are u and p, where *u* is the rate of unemployment and *p* the rate of price rises. The next set of variables, the *d*s, are the political variables forming the p-part of the model - it is found in the square brackets<sup>4</sup>.

Concretely, we have analysed a model like:

 $P_{ij} = \{a_0 + a_1 \cdot c_{jij} + a_2 \cdot presc_{jij}\} + [a_{3,i}(rs_{nov2008} - rs_{mai2008})_i] + e_{ij}, \quad (5')$ 

<sup>&</sup>lt;sup>3</sup> According to the Wald' test, the hypothesis of the equality (in absolute value) of the two parameters  $|a_2| = |b_2|$ , are accepted with a probability over 75%. <sup>4</sup> *idem*, p. 14.

where  $P_{ij}$  – represents the share of votes won by the competitor *i* in county *j*, to the total number of valid votes in that county, in the Parliamentary Elections from November 2008;

 $cj_{ij}$  – represents the share of votes won by the competitor *i* in county *j*, to the total number of valid votes in that county, in the elections for the Local Councils, June 2008;

prescj<sub>ij</sub> – dummy variable, prescj<sub>ij</sub> = 1, when party *i* won the Presidency of Local County *j*, Local Elections 2008 and prescj<sub>ii</sub> = 0, otherwise;

 $rs_j$  – unemployment rate in county *j*; nov2008 = 30 November 2008, mai2008 = 31 May 2008;

a  $\ldots$  – parameters of the model;

e<sub>ii</sub> – error of regression equation, random variable.

(15D (16, 1D E 3, 11(E)). The obtained results are:							
	Chamber of Deputies			Senate			
	PSD	PD-L	PNL	PSD	PD-L	PNL	
Constant	6.8377			6.5888			
Constant	(6.94)			(6.684)			
CI2	0.6400			0.6735			
CJ:	(16.684)			(17.553)			
DDESCIP	5.3823			6.1834			
I KESCJ!	(4.539)			(5.155)			
	2.1514	2.4978	-3.0629	1.8465	2.5053	-3.6142	
KS <sub>nov2008</sub> -KS <sub>mai2008</sub>	(1.944)	(2.085)	(-2.517)	(1.679)	(2.009)	(-2.856)	
$R^2$	0.8397			0.8548			
$R^2$ adjusted	0.8330			0.8487			

The used data are in regional structures and refer to the first 3 parliamentary parties (PSD+PC, PD-L si PNL). The obtained results are:

(in brackets, under the estimators, there are standard deviation values; the estimators have a confidence level over 90%)

The results suggest an interpretation consistent with the theory of economic voting: in the period June to November 2008, Liberal Party was the party of government. Increase of unemployment in regional structures resulted in a penalty for PNL and an increase in intentions to vote for opposition parties (PSD and PDL). Estimators are econometrically significant.

### Conclusions

For Romania, the macroeconomic data suggests that is correct a hypothesis according to which a significantly connection between the political behaviour of the politicians and economic evolution exists. The intensity of the structural changes records local minimum points in electoral years. This fact could be explained by the following phenomenon: to promote economic reforms means to adopt some measures, which usually are accompanied by unpopular effects. These types of effects are not those desired by the incumbent governments, especially in election years.

At the same time, the maximum intensity of the structural changes was recorded in post – electoral years: all the political programs proposed the speeding of the economic reforms and consequently when a party or a coalition wins the political power, it tries to promote measures to speed up some economic changes process. The regional data also confirm the hypothesis of significantly connections between the state of the economy and political behaviour of the electors. The level and the dynamics of the unemployment at regional level have an influence on vote behaviour, as stated by the partisan political business cycle theory: in the areas with a higher unemployment rate the voting preference (tendency) is skewed towards the political left side. But

each of the most important Romanian political parties of the period 1992 –2004 (PDSR, CDR-D.A.) have faithful electors. The right fidelity proved to be superior to the fidelity of the left's electors: the right captive electorate has a big fidelity, but a small size (relative to total Romanian electorate)

The results obtained must be understood under the limits inner to the research method used. For example, it is likely that the bias towards left–side political spectrum observed in areas with high unemployment rates is actually explained by the behavioural specificity of the population from poor zones. Given the unavailability of credible socio-economic information regarding poverty in Romanian geographical areas over the entire 1990 – 2004 period, the above-mentioned hypothesis is not directly tested in this paper. The underlying reasoning is that the poor zones have usually high unemployment rates, and the econometric models presented here could offer, after all, arguments for two important hypotheses: (1) the electors from the poor regions vote preponderantly for left-wing political parties, and (2) the unemployment rate could be used as a *proxy* variable for poverty in the regional political behaviour models.

Regarding the economic voting for the Parliamentary elections from November 2008, the increase of unemployment in regional structures resulted in a penalty for PNL (as the party in office) and an increase in intentions to vote for opposition parties (PSD and PDL).

Further analyses would include more electoral moments, meaning that the econometric level of confidence will increase and the results should be more econometrically reliable.

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